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HOUSING POLICY PROFILE
OF JAPAN

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HOUSING POLICY PROFILE OF JAPAN

EXECUTIVE SUMMARY

Japan, with a population of 125 million (compared to 25 million in Canada) and a G.N.P. of \$3,000 billion in 1988 (compared to \$600 billion in Canada) is about 5 times the size of Canada, both in terms of population and economic activity.

Starting the post-Second World War period with a serious housing shortage and generally unsatisfactory housing conditions, Japan was determined to improve its housing situation both in terms of quantity and in terms of quality. To achieve this Japan created powerful governmental institutions under the control of the Ministry of Construction (M.O.C.) and introduced 5-year housing plans in the sixties, developed by the Ministry of Construction.

Thus, central government, through the Ministry of Construction's Housing Bureau, develops the country's housing policy and the 5-year housing plans to give expression to that policy. The first 5-year housing plan was promulgated for the years 1966-1970. Housing policy is currently governed by the fifth 5-year housing plan for the years 1986-1990. This plan calls for total housing starts of 6,700,000 (an average of 1,350,000 per annum). About half of these starts, 3,300,000 (or 660,000 units per annum), are to be financed by the government. The starts data for recent years (1,700,000 in 1988) suggests that actual performance will be well above the levels called for in the latest 5 year plan.

One of these powerful government institutions, the Housing and Urban Development Corporation (HUDC), in conformity with the 5 year plan, actually builds houses for rent and sale. All of the public housing in Japan, about 7.5% of the housing stock (compared to 6% in Canada), is built either by that Corporation, or by the Local Supply Corporations, which are locally based government institutions.

Another powerful government Corporation, the Housing Loan Corporation (HLC), again in conformity with the 5 year plan, finances more than one third of all privately constructed and privately owned housing in the country. Most of its funding is for home-ownership. These direct loans from the HLC helped Japan to achieve a 62.5% home-ownership rate (the same as Canada's 62.5% rate).

Japan has overcome its housing shortage in quantitative terms, as it now has a housing stock of 38,600,000 units. This exceeds the total number of households of 35,200,000 units by about 10%. The 10% vacant stock is largely of substandard quality.

Japan's current aim as outlined in the latest 5-year housing plan, is to improve housing quality. The drive to improve quality has led Japan to annual housing starts of 1,700,000 units in 1988, or about 13.6 per 1,000 population, compared to 223,000 units, or 8.9 per 1,000 population in

Canada. About half of these starts are needed to offset substandard dwellings, either withdrawn from the housing stock or enlarged by combining two small units into one large one.

While most of the housing is built in the traditional Japanese post and beam manner, it also includes about 40,000 units of Canadian style woodframe construction. The Japanese builders of woodframe construction have formed an association called "The Japan 2x4 Construction Association" which now has 716 members. About one-third of these builders construct less than 10 houses per year, and one in ten build between 50 and 100 houses per year, the remaining 20% build 100 houses per year. The largest of these builders is listed as building 7,000 units per year, and is, therefore, larger than any of the Canadian builders.

More than half of all the units built in Japan are of wood construction, thereby, offering a potential market to Canada for both lumber and woodframe construction techniques.

The private mortgage market is less developed in Japan than it is in Canada. Thus, while in Canada, private mortgage lenders provide almost all the mortgage funds needed to finance housing (98%), in Japan the private mortgage lenders provide only two-thirds of all the mortgage funds needed with the Japan Housing Loan Corporation providing the other third. The less strongly developed private mortgage market may be one of the reasons why mortgage lending terms for home ownership are less generous in Japan than in Canada. A new house of 70m² (small by Canadian standards, where the average home measures 114m²) costs \$208,000 (compared to \$95,000 in Canada) which represents 5 years of income (compared to 2.4 years in Canada). The average downpayment is about 1/3 of the price, or \$63,000, which represents 1.5 years of income (compared to \$13,000, which represents 1/6 of price, or 1/3 year of income in Canada).

However, because current mortgage interest rates are lower in Japan at roughly 6% (compared to 12% in Canada) and because the government gives a 1/2% interest subsidy to all mortgage borrowers from the Housing Loan Corporation, the monthly carrying charges needed to repay a mortgage plus interest, as a percentage of income are lower in Japan at 18%, compared to 23% in Canada.

Japan has a long tradition of urban planning legislation going back to the Tokyo City Remodelling Ordinance of 1888, and the City Planning and Urban Building Acts of 1919. The urban planning process is currently governed by the City Planning Act of 1968. Under this Act plan-making powers are delegated from the central government to the prefectural and municipal levels.

Japan also has developed a National Land Use Plan which is administered by the National Land Agency. This agency also administers a system of land price registration and publication to provide factual information to help stabilize the land market. The prefectural governors have the power to annul a sale at what they consider to be an excessive price, but this power is used very rarely.

In an effort to achieve a more rational use of land, which is very scarce in Japan, the Japanese Government also provides subsidies to assist in the preparation and implementation of land readjustment projects. This land readjustment system entitles each owner or title holder to co-ownership in the reallocated land, after demolition and higher density rebuilding, and to a pro-rata share in the floor space of the new buildings.

In addition to providing direct loans to finance about one-third of privately owned housing starts, the government in Japan has also built up a social housing stock of about 2,500,000 units representing 7.5% of the occupied housing stock, compared to a social housing stock of 600,000 units or 6% of the occupied housing stocks in Canada. The annual subsidy to housing at \$5.4 billion or 2% of the total Japanese budget, is higher in both absolute and relative terms than the \$1.6 billion or 1.6% of the total government budget devoted to housing in Canada.

Finally, Japan and Canada share several housing problems. These include: the need to make housing more affordable, a need to provide more housing alternatives for the rapidly growing population of seniors, a need to upgrade the existing public housing stock, and a need to stimulate more rehabilitation of the existing housing stock.

HOUSING POLICY PROFILE OF JAPAN

I. INTRODUCTION

This housing policy profile of Japan outlines the institutions that Japan has developed to overcome the acute post-World War II housing shortage, and the current emphasis in improving housing quality. Housing programs in place and current housing conditions in Japan are compared with programs and conditions in Canada. When making the comparisons, it should be kept in mind that Japan is about 5 times the size of Canada, both in terms of population and in terms of economic output. But in terms of land area it is only about 3.5% the size of Canada. This means that Japan is much more densely populated than Canada, with 325 inhabitants per KM^2 in Japan, compared to 3 inhabitants per KM^2 in Canada. The comparison of housing conditions in both countries shows that house sizes are larger in Canada than in Japan, and that access to home-ownership is easier in Canada than in Japan. However, in terms of current housebuilding activity, Japan with housing starts of 1,700,000 in 1988, or 13.6 per 1,000 population, has a stronger housebuilding program, both in quantitative and in relative terms, than Canada, where housing starts during 1988 were 233,000 starts, or 8.9 per 1,000 population.

In the final section of this profile, current housing issues actively under discussion in both countries are identified, to help make the discussion of the Canada/Japan Housing Committee more productive.

II. GENERAL ENVIRONMENT

1. Physical Characteristics and Resource Base

Japan covers an area of 337,700 KM^2 , most of which is mountainous. Only 3.8% of the total land area is used for housing, business buildings, factories, shops, etc. The proportion of habitable land, not including densely forested mountain areas and bodies of water is only 21%. The population density of land in Japan is much higher than in Canada, with 325 persons per KM^2 in Japan compared to 3 per thousand KM^2 in Canada.

The table on the following page compares the characteristics of Canada and Japan with reference to land area, population and economic indicators:

LAND AREA, POPULATION AND ECONOMIC INDICATORS - 1988

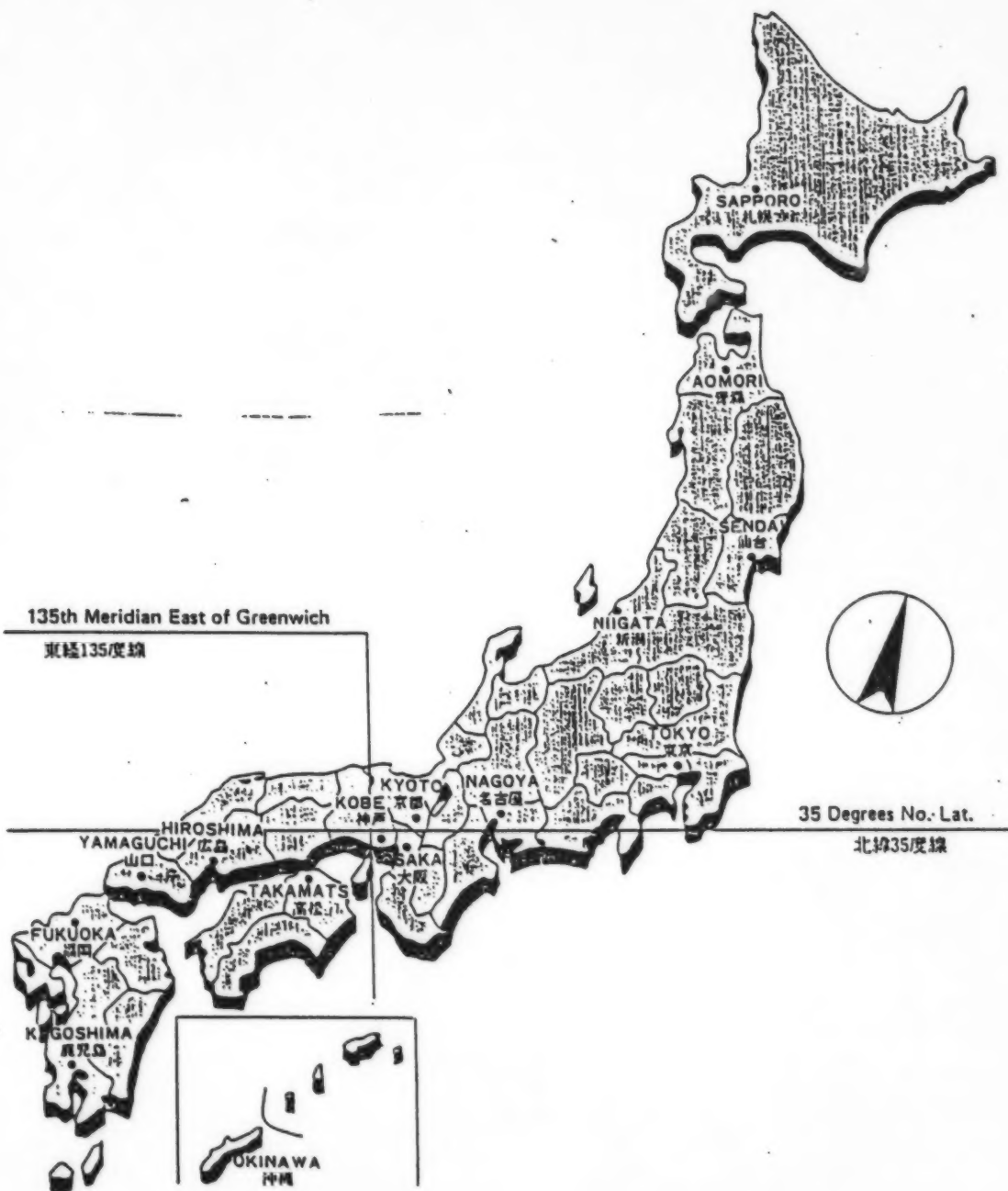
	<u>JAPAN</u>	<u>CANADA</u>
Total Land Area KM ²	337,700	9,970,000
Population (Million)	125	25
Inhabitants per KM ²	325	3
Gross National Product (Can.\$ Billion)	3,000	600
% of Labour Force Employed in:		
Agriculture	8.8	5.2
Industry	34.9	25.5
Services	56.3	69.3
Indicators of Living Standards:		
Gross National Product per Capita (Can.\$):	24,000	24,000
Passenger Cars per Thousand Inhabitants:	221	421
Telephones per Thousand Inhabitants:	550	650
Television sets per Thousand Inhabitants:	250	470
Doctors per Thousand Inhabitants:	1.3	1.8
Infant Mortality per Thousand Live Births:	6.2	9.1

The climate in Japan is full of variety. Spring and autumn are the most pleasant of all seasons, with balmy days and bright sunshine. In September, however, typhoons strike Japan. The summer is hot and humid, following the rainy season that usually lasts about a month. In winter, it is rather cold and there is much snow on the Japan Sea side, but dry and fine weather lasts on the Pacific Ocean side.

Japan is subject to earthquakes. About 10% of earthquakes in the world occur in the Japanese archipelago, causing great losses of both lives and property. Buildings in Japan therefore must be able to withstand earthquakes.

Economic growth has been rapid in Japan in the post-World War II period, and significant changes occurred in industrial structure. The average annual growth from 1955 to 1973 was 9.5%. The oil crisis in 1973, however,

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eroded the high economic growth. For the past several years, annual growth has stabilized at about 4 - 5%. At this rate, Japan's Gross National Product (GNP) reached \$3,000 billion by 1987. This is the second largest GNP amongst free market economies. The per capita GNP in Japan during 1988 at \$24,000 was equal to the \$24,000 per capita GNP in Canada in the same year.

As for industrial structure, the number of people working in the primary industries is constantly decreasing, while the number of people in the secondary industries continued to increase during the period of high economic growth. Currently the tertiary industries (services) take up the largest number of employees.

Average annual income of a Japanese household in 1988 was \$44,000, the same as the average family income in Canada in the same year. The high growth of the Japanese economy raised Japanese people's consumer power considerably, and their lifestyle improved accordingly.

2. Settlement Patterns and National Demographics

(a) Rapid Population Growth

Three distinct phases of population growth can be discerned over the last hundred years. The first phase, from 1872 to 1942, can be characterized as a "high birth - high death" period, during which the population doubled from 40 million to 80 million. The second phase, from 1942 to 1955, the so-called "baby boom years", can be characterized as "high birth - low death" period, during which the population increased from 80 million in 1942 to 100 million in 1955. The third phase from 1955 to 1980 can be characterized as a "low birth - low death" period, during which the population increased from 100 million to 120 million. After 1955, the number of nuclear families increased, leading to a decline in the average number of persons per family from 5.0 persons in 1955 to 3.3 persons in 1983. This decline in household size also meant that the rate of household growth (which creates a demand for houses) exceed the rate of population growth. Most of the growth in households occurred in the three major cities, namely Tokyo, Osaka, and Nagoya, where most of the rapid economic growth was concentrated.

(b) Rapidly Aging Population

The proportion of the aged to the total population of Japan has been rapidly increasing. The number of Japanese people 65 years or older exceeded 10 million in 1980, accounting for 9% of the total population. The rate at which the number of aged people increases will become even higher in future, because of the extended life span, and low birth rate. By the year 2000, aged people will make up 15.6% of the population compared to 13.5% in Canada. The proportion is expected to increase further to a peak of 20% by the year 2030 in both countries.

It appears that the proportion of aged people in the population is growing much more quickly in Japan than in either Europe or North America. Also, this proportion is expected to increase to a point higher than in any European or the U.S.A. These two phenomena, namely rapidly growing

population of aged, and a high proportion of aged to total population are apparently characteristic of both Canada and Japan.

The Japanese government considers it urgent that countermeasures to meet this situation be developed quickly.

3. Overview of Socio-Economic Trends

Japan is the most industrially advanced of the Asian countries, and has achieved rapid economic growth in the post-World War II period, such that standards of living are now on a par with those of the Western industrialized countries. Significant macro-economic trends have included a very high savings ratio, a high ratio of investment to domestic product, and relative success in containing inflation and interest rates.

Japan's economic success has been achieved notwithstanding unfavorable natural conditions. This country's fairly extreme climate and few natural resources result in a heavy dependence on overseas trade.

Between 1960 and 1980, Gross Domestic Product per capita increased by an average of 6.5% per year, more than twice the average for other OECD countries (3.1%). Japan also has been relatively successful in keeping inflation under control. For example, between 1975 and 1982, consumer prices in Japan rose by 50%, compared to an average for the OECD countries of 94%. Similarly, both short and long-term interest rates have not shown the violent fluctuations that have been evident in other industrial OECD countries. (In 1982, for example, short-term interest rates averaged 7% and long-term rates 8%, at a time when many other countries had interest rates well into double figures). The most recent economic data show that Japan continues to grow faster than OECD as a whole and inflation rates continue to be lower. Thus, GNP grew by 4.3% in Japan in real terms during 1987 compared to 3.4% for OECD as a whole. Consumer prices actually declined in Japan by 0.2% during 1987 while they increased by 4.4% in Canada, and 3.2% in OECD as a whole.

One important feature of the Japanese economic system, and one that has relevance for housing finance markets, is the high propensity to save. In the period 1960-1980, net household savings in Japan as a percentage of disposable income was 19%, compared with an OECD average of 11% Net household saving and continued at a high level of 16.8% in 1987 in Japan, compared to 9.7% in Canada. This high savings ratio has been attributed to the following factors:

- real incomes have been rising rapidly and there has been a tendency for consumption to lag behind;
- special salary payments, such as mid-year and end-year bonuses, are relatively high in relation to basic salaries; part of his special salary payment can be more easily devoted to savings;
- the social security system in Japan is not as advanced as in other countries, and the people are more inclined to save for their old age.

III. ROLES AND RESPONSIBILITIES OF DIFFERENT LEVELS OF GOVERNMENT

Although there are three levels of government in Japan (central, prefecture, municipal), the central government strictly controls not only the activities of the prefecture, but also the activities of the municipalities. The government plays a major role in housing in Japan, not only in the formulation of housing policy, but also in the direct construction of housing and direct lending of mortgage funds.

1. Central Government

In housing, the Central Government, through the Ministry of Construction Housing Bureau, develops the country's housing policy, and the 5-year housing plan, to give expression to that policy. The first 5-year housing plan was promulgated for the years 1966-1970. Housing policy currently is governed by the fifth 5-year housing plan for the years 1986-1990 which calls for total housing starts of 6,700,000 in these 5 years, and an improvement in housing quality.

The Central Government also provides the funds and the targets for the two major central government institutions. The first of these, the Housing and Urban Development Corporation (HUDC), is the construction arm of government. It builds the government's public housing, as well as housing for sale to owners and landlords.

The second one, the Housing Loan Corporation (HLC) is the mortgage lending arm of government. It lends funds for individuals to finance the acquisition of their own houses, to private developers who construct houses for sale or for rent to individuals, and to the Local Housing Supply Corporations set up by the prefectural and municipal governments.

The role of each of these central government institutions is as follows:

(a) Ministry of Construction (Housing Bureau)

- develops the housing policy of the country as a whole and the system through which this housing policy will be implemented;
- prepares the national housing budget and the allocation of the housing budget to various institutions and programs;
- develops 5-year housing construction program;
- directs and supervises the local government housing bodies, as well as the central government's Housing and Urban Development Corporation (HUDC) and the central government's Housing Loan Corporation (HLC).

(b) Housing and Urban Development Corporation (HUDC)

The HUDC was founded in October 1981, by consolidating the Japan Housing Corporation (founded in 1955) and the Land Development Corporation.

The mandate of HUDC was "to construct and fund the supply of housing and housing land of good quality to middle class workers in large city regions,

to encourage urban development, and to fund the development of key urban parks in order to create a satisfying living environment".

The HUDC was capitalized by national and local governments at the time of its founding. At the end of 1987, its capital was approximately Y 100 billion (\$1 billion Canadian) and the number of staff was approximately 5,000.

The HUDC constructs and manages rental housing mainly for middle-class workers; constructs housing for sale; develops housing land for sale; implements urban renewal projects; implements the development of new towns.

(c) Housing Loan Corporation (HLC)

The HLC is the housing financing arm of the central government. It was founded in 1950.

The Corporation is governed by a president, vice-president, and six directors, all of them appointed by the Government. The head office of the Corporation is in Tokyo. It has 12 branch offices in the major population centers.

The Corporation does not lend money directly itself. It operates through approved financial institutions acting as its agents. It operates through about 900 institutions (with a total of 11,200 branches), and 145 local governments. During 1987, the HLC financed about 500,000 units (one third of starts) involving loans of about Y 5,700 billion (\$57 billion, or about \$114,000 per unit). A mortgage loan from the Housing Loan Corporation covers about 45% of the purchase price of a housing unit.

The HLC makes loans for the following purposes: to individuals intending to acquire their own home; to local housing supply corporations intending to build housing; to private developers intending to build housing; to individuals intending to build rental housing.

2. Prefectural Government: Local Housing Supply Corporations

For administrative purposes, Japan is divided into 47 prefectures. Each of these prefectures has established a Local Housing Supply Corporation.

The prefectural governments construct and manage the public housing constructed in their prefecture, in conformity with the allocations received from the central government. They also set up and supervise the activities of the Local Housing Supply Corporations, construct housing for sale to home-owners and for rental purposes, and also develop land for housing. All of these activities are carried out within the targets established by the central government, in their 5-year plan.

The prefectural governments: construct and manage public housing; direct, and supervise projects of municipalities within their jurisdiction; direct and supervise their Local Housing Supply Corporation; implement the development of new towns within the prefecture.

Each prefecture has established a Local Housing Supply Corporation which: constructs and manages rental housing; constructs housing for sale; develops housing land for sale.

3. Municipal Government

There are 3,255 municipalities (cities, towns, villages) in Japan. Only the 9 largest ones construct and manage the public housing in their municipality through their own Local Housing Supply Corporations. The others rely on the prefectural government to construct and supply their public housing. The 9 largest municipalities have set up their own Local Housing Supply Corporations to construct housing for sale and rent and also to develop the land needed for construction. All of these activities also are carried out in conformity with the targets and allocations established in the 5-year housing plan.

The municipal governments: construct and manage public housing in their jurisdiction; direct and supervise the Local Housing Supply Corporations in their jurisdictions; implement urban renewal projects in their jurisdictions; implement blighted residential area renewal projects in their jurisdictions.

Nine of the municipalities have set up Local Housing Supply Corporations which perform the same functions as those corporations set up by the prefectures (see above).

IV. PRIVATE MORTGAGE LENDERS

Private lenders during 1985 supplied about 64% of the mortgage loans approved during that year, or Y 8,200 billion (\$82 billion) of a total of Y 12,800 billion (\$128 billion). Public lenders, such as the Housing Loan Corporation (described above) and the public pension funds, supplied the other 36% or Y 4,600 billion (\$46 billion).

The main private mortgage institutions during 1985 (with percentage of total lending provided in parentheses) were as follows: City banks (19%), housing loan companies (11%), regional banks (9%), SOGO banks, or mutual savings and loans banks (6%), Shinkin banks (6%), trust A/Cs of banks (2%), agricultural co-ops (4%), labour associations (2%).

The four largest groups of these are described briefly below.

1. City Banks

The city banks are the major private financial institutions in Japan. They provide 19% of all the mortgage funds in the country or 30% of all the private mortgage lending. There are 13 city banks in Japan, 6 of which are located in Tokyo. These city banks operate mainly in their own city or its surroundings, although they do have some nationwide operations. The 13 city banks operate 2,600 branches. (In Canada, the major chartered banks operate over 7,000 branches). These banks raise their funds mainly through term deposits, which come primarily from business corporations; only 25% of their term deposits are held by individuals. Mortgages account for about

5% of total assets (compared to about 10% in Canada). They lend on terms similar to the central government's Housing Loan Corporation, and their mortgage rates are frequently below market rates, not because they are paid a subsidy, but because they follow government policy. They can do this because their mortgage lending represents only a small part of their total lending.

2. Housing Loan Companies

Housing Loan Companies are currently the second largest group of private mortgage lenders in Japan. They originated 11% of all mortgage loans in 1985, or 17% of all the private mortgage loans originated in that year. They are relatively new institutions. The first two Housing Loan Companies were set up in 1971 and there are currently 9 Housing Loan Companies. They are owned by groups of financial institutions including city banks, regional banks, SOGO (mutual banks), life insurance companies, etc. They thus are set up basically as special mortgage lending institutions to handle mortgage loans on behalf of a wide range of financial institutions, in recognition of the fact that mortgage lending is specialized and requires special skills. They receive all of their funds from the owning institutions, and virtually all of their funds are used to originate mortgages.

3. Regional Banks

The third largest group of private mortgage lenders are the regional banks. They are similar in many respects to the city banks that were described above, but they are smaller, there are more of them, and they have more branches (5,361) than the city banks (2,600). There currently are 63 regional banks, each one based and doing the majority of its business in a prefecture, but willing to extend its business to a neighboring prefecture. During 1985, the regional banks originated 9% of all mortgage loans, or 14% of all privately financed mortgage loans. Like the city banks, less than 10% of their assets are invested in mortgages. Also, their mortgage lending terms are similar to the terms of the city banks.

4. Mutual Savings and Loans Banks (SOGO Banks)

The fourth largest group of private mortgaged lenders are the mutual savings and loans banks (SOGO Banks). During 1985, they provided 6% of all mortgage loans originated in that year, or 9% of all the privately funded mortgage loans. These are small local banks that concentrate their activities on small business and personal customers.

V. HOUSING ENVIRONMENT

1. The Residential Building Industry

About 15 % of the housing built in the 40 years after World War II (6 million units out of 40 million) was built by government-owned institutions, namely the aforementioned Housing and Urban Development Corporation and the Local Housing Supply Corporations. Half of these (7%) are public housing in the sense of being owned and managed by these

government corporations, and rented out to low and middle income families on an income-tested, rent-geared-to-income basis, with the government paying for the operating losses. The other half are built by these government corporations for sale to home-owners or to rental entrepreneurs (often non-profit) for rental purposes, under subsidized terms. This is a major difference from the situation in Canada, where all public housing is constructed by the private sector. In other words, in Japan the private sector builds only 85% of the total dwelling units produced, whereas in Canada the private sector builds 100% of all the dwelling units produced. The structure of the building industry in Japan is similar to the one in Canada with small builders predominating in numbers, but several large builders present, as illustrated by the structure of the woodframe builders described below.

The Housing and Urban Development Corporation, as the construction arm of the central government, appears to be the biggest builder as well as the biggest landlord in Japan. Since its predecessor, the Japan Housing Corporation, was created in 1955, it has built 1,200,000 dwelling units, or about 40,000 units per annum. Of these, 540,000 units were built for sale, which means that this Corporation sells about 18,000 dwelling units per annum. The remaining 670,000 units (or 22,000 per annum) are public housing rental units, which the HUDC owns and manages on behalf of the Government of Japan. This means that the HUDC owns and manages more units than the 600,000 total social housing stock that exists in Canada today.

Canada, through the Canada/Japan Housing Committee, for many years has shared its experience in the building of wood-frame construction with Japan, where these units are referred to as 2x4 houses. During 1986, Japan built about 32,200 wood-frame construction units (about 3% of total starts). This is estimated to have increased to 40,000 units in 1987. The present goal is to boost this total to 60,000 units over the next couple of years (or about 5% of total starts).

Most of the remaining 1,500,000 housing units produced annually (with the exception of the 170,000 housing units produced by the manufactured housing industry described below, is built in the traditional Japanese post and beam manner. These houses are built by a construction industry that is similar in structure to the construction industry in Canada. Thus, small builders predominate, with a small proportion of large builders also present. It is estimated that more than half of the housebuilding is done by small scale builders (carpenters, building contractors) using conventional Japanese post and beam construction methods. It is further estimated that only about 1% of the 150,000 house builders active in Japan have a net worth of \$1 million. The average housebuilding firm has about 10 employees on the payroll.

The builders of wood-house construction have formed an association called "The Japan 2x4 Construction Association", which now has 716 members. About one third of these builders construct less than 10 houses per year. Another third build between 10 and 50 houses per year, and one in ten build between 50 and 100 houses per year. The remaining 20% build over 100 houses per year. The largest of the builders is listed as building 7,000 units per year and is, therefore, much larger than any of the Canadian builders.

Japan also has developed a large manufactured housing industry. Canada has, in fact, sent experts to Japan to study their manufactured housing industry, which in 1983 produced about 170,000 housing units. (Bairstow and Associates Consulting Limited, in a study conducted for the Canada Mortgage and Housing Corporation entitled, "Manufactured Housing: The Foreign Experience: U.S.A., Japan, Sweden). The manufactured housing industry is thus about 5 times as large in Japan as the wood-frame construction industry, and accounts for about 15% of all starts. Five large firms dominate the manufactured housing industry, producing about 80% of all manufactured housing units. The largest of these companies (Misawa Homes) produces about 25,000 units per annum. The smallest of these five (Sekisui Chemical) produces about 10,000 units per annum.

The structure of the remaining residential construction industry appears to be similar to Canada, with small scale builders predominating in number, but with a smaller number of large-scale builders also present.

2. The Development Process

Land for new residential development and for the redevelopment of blighted areas is scarce for two reasons. The first reason is that Japan is more densely populated than any of the other industrialized countries, and is reluctant to lose more agricultural land to residential or commercial and industrial uses. The second reason is that land ownership is very fragmented, making it very difficult to assemble reasonably sized tracts for either new development or redevelopment.

During the period 1945-1950, the ownership of large agricultural estates was divided amongst tenant farmers. This has resulted in the average size of agricultural holdings being less than one hectare. The fragmented pattern of land ownership in both existing and prospective urban areas poses particular difficulties for achieving rational patterns of land use. The fragmented land ownership in Japan is reflected in a very high proportion of residential development schemes being less than one hectare with each house on a very small site. The additional reasons for this style of development include exemption from planning controls and price regulation, because little new infrastructure need be provided. Also, the owner can retain the remaining part of the land as a part-time agricultural holding, which is taxed at a lower rate than residential holdings.

The result of this scarcity and fragmentation in land holdings is that land prices are high in Japan, particularly in Tokyo, where the cost of an average sized lot of 1,500 square feet (30 ft x 50 ft) can represent up to 60% of the price of a single family dwelling (\$135,000 for the lot and \$208,000 for the home in 1987).

Policy measures to confront high land prices, as reflected in the high price of housing, have concentrated on low interest rate, long-term mortgage loans. It is recognized, however, that measures are needed to improve the supply of land by encouraging owners to bring forward sites for development. It should also be noted that Japan has a land registration process described below which includes the power by the prefectural governors to annul any sale where the price is judged to be excessive. This power is rarely used.

3. The Urban Planning Process

Japan has a long tradition of urban planning legislation going back to the Tokyo City Remodelling Ordinance of 1888 and the City Planning and Urban Building Acts of 1919.

The urban planning process currently is governed by the City Planning Act of 1968, and its subsequent amendments. That Act introduced eight principal categories of land use. It also delegated the plan-making powers from the central government to the prefectural and municipal levels. It established a hierarchy of plans, whereby city plans have to conform to metropolitan plans, where they exist, and also to prefectural and national plans. Finally, it introduced public participation procedures.

The recognized territorial unit for urban planning is the "city planning area" (CPA). These city planning areas may cover a large area including several municipalities. The boundaries of the city planning areas are set by the Prefectural Governor, after consultation with the municipal representatives and the approval of the Ministry of Construction. The Prefectural Governor also is obliged to review construction and trends in city planning areas every five years. After the designation of a city planning area, plans are drawn up by the local administrations, although the final decisions on the plans remain with the Prefectural Governor.

The city planning areas are further subdivided into Urbanization Promotion Areas (UPA'S) and Urbanization Control Areas (UCA'S) "in order to prevent disorderly development and to realize development according to a plan". The UPA's comprise the existing urban areas (defined as having a population of 5,000+ and a density of 40 person per hectare) plus the areas to be built up within approximately 10 years. Areas liable to disasters, excellent farmland, and areas of outstanding scenery are excluded from UPA's. The UCA's consist of the areas where urbanization should be limited.

At the end of March 1984, the City Planning Act applied to 349 city planning areas, covering 874 municipalities, containing three quarters of Japan's total population. UPA's covered one quarter, and UCA's three quarters, of the total land area involved.

The Prefectural Governor sets the boundaries for the UPA's and the UCA's. Developers need a permit from the Prefectural Governor to proceed with developments in a UPA or a UCA for all projects that exceed 1000M².

In 1980, the City Planning Act was further amended to introduce district planning so as to provide a more detailed approach to securing urban development and redevelopment.

Overlaying this system of urban plans introduced by the City Planning Act of 1968 is a series of prefectural land use plans, which indicate five types of land use: city areas, agricultural areas, forestry areas, natural park areas and nature conservation areas.

The National Land Use Plan is administered by the National Land Agency. This agency also administers a system of land price registration and

publication. The Land Price Publication Act of 1969 requires the annual publication of land prices, together with the details of the land concerned. The objective is to provide factual information to help stabilize the land market. All land transactions in excess of 2,000M² have to be reported. If the price violates the advisory standard set by the prefecture, then this information is given to those conducting the transactions and can be published with the objective that the publicity will act as a sanction. The governor of the prefecture also has the power to annul a sale at a price that is judged to be excessive, but this power is rarely used.

4. Land Readjustment System

The assembly of sites for development is an essential part of the process of achieving a national, rational use of land.

Land readjustment projects initiated in Japan over the last decade involved an annual average of 5,700 hectares. The average size per project is approximately 35 hectares. Half of these projects arose from private initiatives (individual or land readjustment associations) and the other half were promoted by the public sector (municipalities, prefectures, public corporations). The publicly-initiated projects are usually larger - 150 hectares, compared to 20 hectares for the privately-initiated ones. Publicly-initiated projects take about 9 years to complete and privately-initiated projects about 5 years. The smaller schemes in existing urban areas have more the purpose of standardizing layouts and providing new facilities, rather than assembling land. Government subsidies are provided to assist in the preparation and implementation of these projects, including the costs of moving existing buildings to new sites. These subsidies come from the road improvement budget of the Ministry of Construction. About one-third of newly urbanized land in UPA's is covered by land readjustment projects.

For specifically urban projects in existing cities, the Urban Renewal Act of 1969 instituted Category I urban redevelopment projects, founded on the principles of owner participation, a more intensive use of land and a title conversion system. The projects may be privately or publicly initiated.

The system entitles each owner or title holder to co-ownership in the reallocated land, and after demolition and higher density rebuilding, to a pro-rata share in the floor space of the new building. This system makes it easier to build co-operative blocks of flats and condominiums, and promotes community stability by allowing residents to remain in the same areas.

Based on tax legislation, the equivalent exchange system (which is closely related to the title conversion system) is designed to achieve the same ends as the title conversion system described above, but in this case the agreement is between the landowner and a private developer.

Compulsory public land acquisition is another way of overcoming difficulties presented when key areas of land are not available for development. However, the Narita Airport project, for example, encountered difficulties in the course of compulsory land acquisition procedures.

Consensus seeking is, therefore, the favored approach to securing the release of land in circumstances where owners are initially unwilling to sell land. For urban renewal schemes, two-thirds of the owners need in be in agreement, although consideration is being given to reducing this to 51%.

VI. HOUSING SITUATION

1. Housing Stock Characteristics

The total housing stock in Japan was 38.6 million in 1983. About 10% of the stock was vacant, leaving an occupied housing stock of 35 million units. These data are used in Japan to illustrate that the major post-World War II objective of providing enough housing units to house all households has been reached, as the number of dwelling units now exceeds the number of households by 10% (i.e. the vacant units). This is a considerable achievement, as it is estimated that Japan had a housing shortage of about 4.2 million units immediately after World War II.

The single family detached house, as the most popular form of housing, accounts for 65% of the stock. Multiple family housing (called collective housing in Japan) is the next most popular house type, with 27%. The remaining 8% are row houses (called terrace houses in Japan).

Japan also classifies its housing stock by type of building material used. Thus, 46% of the housing stock consists of non-fire-proofed wooden structures. An additional 29% are fire-proofed wooden structures (and this proportion is growing). The remaining 25% are reinforced concrete and steel frame apartment buildings. (This proportion also is growing).

In terms of housing stock by type of ownership, the proportion of owner-occupied housing is 63%. Private rental housing represents 25% of the occupied housing stock (only about 60% of these rental units have exclusive use of facilities; the other 40% have shared facilities). Public housing represents about 8% of the housing stock. The remaining 4 percent represents company-supplied employee housing.

Japan uses the concept of average and minimum housing standards, as measured by number of rooms and net floor space per unit, to measure housing conditions. The minimum housing standard for a family of 4 persons is 3 bedrooms plus a combined dining room and kitchen, with an overall net floor area of 50M² per unit. The average housing standard for a family of 4 persons is 3 bedrooms, plus a living room and kitchen, with a net floor space of 86M² per unit. It is estimated that, in 1983, about 50% of all households had less than the average housing standard. This includes the 15% of all households that had less than the minimum housing standard. The 5-year housing plan targets are expressed in terms of reducing the proportion of families living at below average and minimum standards.

2. Recent Housebuilding Activity

Housebuilding activity in terms of starts has been increasing steadily in Japan over the last 6 years (1983-1988), from a level of 1,100,000 in 1983

to 1,700,000 in 1988. In Canada, housing starts increased from 163,000 in 1983 to 223,000 units in 1988.

Starts per 1,000 population are high in Japan as compared to Canada. Thus, during 1988, the 223,000 starts in Canada represented 8.9 starts per 1,000 population (on a population base of 25 million), whilst in Japan the 1,700,000 starts during 1988 represented 13.6 per 1,000 population (on a population base of 125 million). One of the reasons for the relatively high level of starts in Japan, compared to Canada, is the fact that the number of substandard units withdrawn from the housing stock or lost through conversion of two small units into a larger one, is very high - namely about 50% of housing starts, compared to at most a 10% loss in Canada. This reflects the fact that a very large proportion of the existing housing stock in Japan is below minimum and average standards. This is also the reason why the government in Japan currently places great importance on the improvement of the housing stock.

Single family houses represent about 60% of total starts in Canada and about 50% in Japan. However, the average size of a dwelling is smaller in Japan than it is in Canada - about 70M² in Japan compared to about 114M² in Canada.

Japan uses a great deal of wood construction in its residential buildings and because of the fear of fire, a large proportion of these wooden houses are made of a specially treated fire-resistant wood. Currently, about 50% of the new dwellings are of wood construction, compared to about 75% in Canada.

HOUSING STARTS, BY TYPE OF CONSTRUCTION

(Dwelling units 000's)

YEAR	STARTS		SINGLE FAMILY		WOOD CONSTRUCTION	
	JAPAN	CANADA	JAPAN	CANADA	JAPAN	CANADA
1983	1,100	163	625	102	590	119
1984	1,200	135	625	84	600	98
1985	1,250	166	650	99	590	114
1986	1,400	200	780	120	650	139
1987	1,600	246	800	140	700	166
Average 1983-87	1,310	182	700	109	625	127

3. Starts by Source of Financing

Government plays a much larger role in the financing of housing in Japan than in Canada. During the last 5 years (1983-87), between 35% and 40% of total starts were financed by direct loans from the Japanese government's Housing Loan Corporation. By contrast, in Canada, virtually all of the mortgage funds needed to finance new residential construction are now provided from private lenders. The proportion of starts financed by CMHC and other public bodies has declined steadily from the already low level of 3.9% in 1983 to 0.5% in 1987.

STARTS BY SOURCE OF FINANCING

(Percentage)

YEAR	PRIVATELY FUNDED		PUBLICLY FUNDED	
	JAPAN	CANADA	JAPAN	CANADA
1983	54.7	96.1	45.3	3.9
1984	57.1	97.4	42.9	2.6
1985	64.1	98.3	35.9	1.7
1986	64.1	99.0	36.0	1.0
1987	64.0	99.5	36.0	0.5

4. Access to Homeownership

Housing is more expensive in Japan, relative to average incomes, than it is in Canada. This is reflected in the fact that access to home-ownership occurs at a later average age in Japan than in Canada (age 37 in Japan, age 31 in Canada); also, on average, a modest home costs about 5 years of income in Japan, compared to 2.4 years of income in Canada. A further deterrent to early home-ownership is the fact that downpayment requirements are much higher in Japan (30%) than they are in Canada (10%). But, once a potential home-owner has saved up enough to buy his house, monthly payments required to carry the mortgage represent a slightly smaller proportion of income in Japan (18%), as compared to Canada (23%), because interest rates are much lower in Japan (4.25 - 6%) than they are in Canada (10 - 12%).

The following table highlights these differences:

FINANCIAL TERMS FOR HOUSES PURCHASED IN 1987

	JAPAN	CANADA
Average Price	\$208,000	\$95,000
Average Floor Area	70.2M ²	114M ²
Median Income	\$40,000	\$40,000
Average Years of Income	5 years	2.4 years
Average Downpayment	\$63,000	\$13,000
Average Years of Income	1.58 years	0.31 years
Average Mortgage Amount	\$145,000 \$95,000 (gov't) \$50,000 (private)	\$82,000
Mortgage Interest Rates	4.85% 4.25% (gov't) 6.00% (private)	10%
Mortgage Payments per Annum	\$7,100	\$8,200
% of Income	18%	23%

VII. HOUSING ISSUES

Over the last couple of decades, the housing issues set out below have dominated the housing policy formulation process in Japan.

The emphasis placed on each of these issues, as reflected in the various 5-year plans, has changed over time to reflect progress achieved and shifts in priorities as noted below.

1. Elimination of Overall Housing Shortage

The immediate goal of housing policy as expressed in the first 5-year plan (1966-1970) and the second 5-year plan (1971-1975) was to build up and add sufficient dwelling units to the housing stock to provide a dwelling for each household. To achieve this, the total number of housing starts increased annually to reach a peak of 1,860,000 in 1978, by which time the number of dwellings exceeded the number of households, not only on a nationwide basis, but also in each prefecture. The main indicators of household and housing conditions and characteristics are measured every

five years in the "Housing Survey of Japan". The most recent survey, conducted in 1983, showed that the total number of houses (38,607,000) exceeded the total number of households (35,197,000) by 10%. These 10% vacant housing units were composed mainly of substandard dwellings. The drafters of the 5-year plan now consider that the over-all housing shortage has been solved, and this no longer forms part of the goals set out in the plan.

2. Improve Housing Quality and Living Environment

The third 5-year plan (1976-1980) no longer made any mention of housing shortages. The emphasis shifted to improving housing standards. The new goal announced was to have, over the next 10 years, all households live in dwellings meeting at least the minimum standard, and at least half of all households live in dwellings meeting the average standard (for definition of these standards, see page 14).

The 1983 "Housing Survey of Japan" showed that 15% of all households still lived below the minimum standard, and 50% of all households lived below the average housing standard. This survey also showed that only 58.2% of all households had exclusive use of a flush toilet, and only 88.3% of all dwellings had bathrooms.

Standards for the living environment also were developed. Thus, the 1983 survey showed that 44% of houses faced a road less than 4 metres wide, and 12% of houses had less than 3 hours of sunshine (due to being overshadowed by adjoining structures).

Housing improvements are sought by: setting a high standard on new construction; promoting the use of concrete and steel in apartment buildings (rather than wood); encouragement of home-ownership (to draw households out of substandard rental dwellings); and extensive rehabilitation not only of dwellings (combining two small dwellings into one larger one), but also of neighborhoods (to allow for open public spaces, parks, etc., and wider roads).

3. Promotion of Increased Home-Ownership

Increased home-ownership is seen as another way to up-grade the quality of housing. This home-ownership is not only in the form of single-detached dwellings, but also in the form of condominiums (particularly in large cities). The increase in housing quality arises out of the fact that the new homes all are built to at least average standards, whilst the vacant dwellings are usually below average standards. As pointed out earlier, home-ownership is promoted by the availability of loans from the Housing Loan Corporation, both for the construction of new homes and for the purchase of existing homes. Also, the Housing and Urban Development Corporation builds houses for sale.

The home-ownership rate has increased in Japan from 60.3% in 1968 to 62.4% in 1983, or about the same as in Canada. This rate is expected to decline by the time the next survey of housing is conducted in 1988, because in recent years about 50% of starts have been of the apartment-for-rent type.

4. Population Movement to Large Cities

The rapid rate of economic development in Japan during the post-World War II period led to large movements of population from rural areas to large cities. During the decade from 1970 to 1980, the percentage of people living in urban areas increased from 54% to 60%, and continued to grow to 65% by 1985. Population growth in urban areas increased twice as fast as the general growth in population. Up to 1975, this pressure of rapid population growth was felt in all of the major cities. Since that time, it is mainly the capital city, Tokyo, that is being affected by the rapid inflow of people. This has led to problems of insufficient and inadequate housing, rapidly rising prices of land and houses, and an increase in apartment construction and renovation in Tokyo. It also has meant that housing is built further and further away from Tokyo's city centre, thereby increasing commuters' travelling time.

To counteract this, a new trend is beginning to develop - namely, the double dwellings household. Thus, some households move far out into the suburbs, where their main home is. At the same time, a small dwelling is maintained close to the city centre, where the working members of the family stay during the week.

Another instance of double dwellings is for the family to maintain a modest dwelling (often below minimum standards) in town, with a more elaborate dwelling in the far suburbs or the countryside for holidays and weekends. The government of Japan is encouraging this trend to double dwellings by providing mortgage financing at the subsidized rate for both dwellings. The government also, through the Housing and Urban Development Corporation, is taking an active part in financing the development of building lots and, through the Housing Loan Corporation, in financing the development of building lots by private developers. This is in addition to the provision of a small steady volume of public housing.

5. Housing Needs of Aged Persons

As in Canada, the percentage of seniors is increasing quickly in Japan. The proportion of persons over 65 was 10.3% in 1985 (the same as in Canada) and is estimated to increase to 16% (13% in Canada) by the year 2000. This has an impact on Japan's housing policy in two ways. First, it leads their economists to predict that the rate of savings will decline because the elderly are dissavers rather than savers. This, in turn, makes the upgrading of the current housing stock more urgent in Japanese eyes; the approach is to get as much of the upgrading job done quickly, while the savings rate and the investment funds generated by these savings is still high. Second, it leads the Japanese to search for new ways to meet the housing needs of the aged. The aged are expected to lead worthwhile lives after retirement, by contributing their knowledge and experience to social and local activities.

The housing supply for seniors must meet the following conditions:

- it must provide various forms of housing suitable to the living styles of the aged;

- it must provide housing that takes into account both the mental and physical capacities of the aged;
- it must ensure housing in a good location and living environment in order to enable seniors to participate in society without difficulty.

Some of the alternatives discussed include: houses suitable for three generations to share the house; houses that permit the young generation to live next to or near the parents' house; housing designed specifically for seniors to include all of the facilities required by the seniors. It is recognized that in order to serve seniors well, it is necessary to have good co-operation between the government agencies that supply welfare and social services, and those agencies that supply the housing.

VIII. PRESENT HOUSING POLICIES AND PROGRAMS

1. Current 5-Year Plan (1986-1990)

As mentioned above, the policies and programs in place in Japan are largely determined by the 5-year plans, which are updated each year to meet changing conditions. The 5-year plan sets a goal for total housing starts over the 5 years, and the number of dwellings that will be financed by government. The current 5-year plan covering the period 1986-1990 calls for total starts of 6,700,000 (an average of 1,350,000 per annum). About half of these starts, 3,300,000 (or 660,000 units per annum) will be financed by the government. The total government-financed starts are further broken down between public housing and privately oriented housing, owned and rented, new and rehabilitated, for both the Housing and Urban Development Corporation (HUDC) and the Housing Loan Corporation (HLC).

The table on page 20 summarizes the current 5-year housing plan.

2. Public Housing

Public housing in Japan refers to low rent housing constructed and leased by local public bodies with subsidies from the central government. It is provided for low income people who cannot afford adequate housing in the private market.

The subsidy provided by the central government takes the form of a grant to offset part of the construction costs. Two categories of public housing are available:

(a) Public Housing Category I, for which the central government subsidizes $\frac{1}{2}$ of the construction costs. The income limit for eligibility was Y 319,000 per month in 1984 (or \$1,750 per month at the then current exchange rate of Y 306 = \$1 Canadian) for a standard family for four. This type of public housing is meant for families in the lowest thirty percent of all income groups.

(b) Public Housing Category II, for which the central government subsidizes $\frac{2}{3}$ of the construction costs. The rent ceiling for this Category II was

1986 - 1990 HOUSING PLAN
(Dwelling Units)

	OWNED	RENTED	TOTAL
<u>Housing and Urban Development Corporation</u>			
Public Housing	-	255,000	255,000
Market Housing	30,000	100,000	130,000
Rehabilitated Housing	-	25,000	25,000
Sub-Total HUDC	30,000	380,000	410,000
<u>Local Public Housing Supply Corporations</u>	245,000	245,000	490,000
Sub-Total: Direct Government Construction	275,000	625,000	900,000
<u>Housing Loan Corporation</u>			
Market Housing	1,815,000	185,000	2,000,000
Rehabilitated Houses	200,000	200,000	400,000
Sub-Total HLC	2,015,000	385,000	2,400,000
Total Government Supplied	2,290,000	1,010,000	3,300,000
Privately Financed	1,060,000 (EST)	2,340,000 (EST)	3,400,000
TOTAL	3,350,000 (EST)	3,350,000 (EST)	6,700,000
Annual Average	670,000 (EST)	670,000 (EST)	1,340,000

¥ 248,000 per month in 1984 (or \$1,350 per month at the then current exchange rate of ¥ 306 = \$1 Canadian) for a standard family of four. This type of public housing is meant for families in the lowest 15% of all income groups.

The monthly rent for Category I public housing was ¥ 27,443 (\$150 Canadian), or 9% of income. The monthly rate for Category II public housing was ¥ 19,015 (\$103 Canadian), or 8% of income. The rent ceilings that apply to public housing are calculated by adding the following items: repair and management costs plus ground rent plus depreciation of construction costs (less government subsidy), assuming an interest rate of 6% amortized over 70 years.

3. Housing and Urban Development Corporation (HUDC)

HUDC housing is constructed mainly for middle income workers in metropolitan areas. It is available in three types: rental housing, housing for sale, and specified housing for sale to be rented. Tenancy for HUDC housing is generally open to the public, with tenants or purchasers selected by public lottery. Although there is no income ceiling, households earning less than a specific income, households with aged or handicapped persons, households which have drawn a losing number many times in the past lotteries and households with multiple families are given greater winning possibilities in the lottery.

Rents for HUDC housing are set on a cost recovery basis by adding the following: repair and management costs plus ground rent plus construction costs calculated on the basis of the subsidized interest rate of 5% amortized over 70 years. The average rent for a HUDC unit was ¥ 66,000 in 1984 (\$360 Canadian), or about twice the rent on Category I public housing.

In 1984, the average price of a HUDC house for sale was ¥ 26,940,000 (\$197,000 Canadian), equivalent to about 33 years of the average rent for a HUDC unit.

4. Local Housing Supply Corporations (LHSC)

The Local Housing Supply Corporations (LHSC), established in all 47 prefectures of Japan and 9 large cities, supply good quality housing for sale and rental for workers who require housing. The volume of housing constructed by these local government bodies is about the same as the volume of the housing supplied by the HUDC. The terms and conditions on which this housing is provided are also about the same as the terms and conditions applying to HUDC-constructed housing. These Local Housing Supply Corporations obtain their funds mainly from the Housing Loan Corporation.

5. Housing Loan Corporation (HLC)

(a) Loans for New and Existing Dwellings

The Housing Loan Corporation is the largest lender in Japan. As noted in the 5-year housing plan, the Housing Loan Corporation is expected to finance more than one-third of all housing starts in Japan. This large

scale lending by the Housing Loan Corporation is used not only to increase the volume of good housing, but also to promote home-ownership in Japan, as about 85% of its loans are to prospective home-owners of either single family or condominium homes. Virtually all of these home-ownership loans are for newly constructed dwellings, and all of these are subsidized by government. The HLC borrows from the government at an interest rate of 4.75% and lends to prospective home-owners at 4.25%. Thus, the interest rate on each mortgage is subsidized by about 0.5%.

To ensure good quality housing, all homes constructed or purchased with the help of HLC loans must meet the construction standards established by the HLC.

The maximum loan amount is established by the HLC, depending on the size of the home purchased. The maximum loan amount in 1987 for the average sized house (70M²) was Y 6,800,000 (\$68,000 Canadian), repayable over 35 years.

The largest loan available from the HLC is Y 12,600,000 (\$126,000), which can be obtained to purchase a 120M² apartment (with balcony).

(b) Loans for Rehabilitation

The HLC also makes loans for rehabilitation and remodelling of existing dwellings. As an encouragement to the undertaking of extensive renovation and remodelling of existing substandard dwellings, during 1987, the maximum loan amount for such rehabilitation was increased from Y 3,800,000 (\$38,000) to Y 4,700,000 (\$47,000) and the amortization period extended from 10 years to 20 years. The interest rate on these loans is 4.5%, which is 0.25% below the rate at which the HLC borrows. The interest rate thus is subsidized by 0.25%. The HLC also promotes the development of better rehabilitation techniques and is now financing counsellors to help plan the rehabilitation, renovation and reconstruction of buildings. About 60,000 homes are rehabilitated or remodelled with the help of HLC loans each year.

6. Housing for the Aged

In the current public housing program, special emphasis is placed on housing suitable for the aged. The intention is to provide public housing for the aged that allows them to become independent and enjoy a comfortable life in public rental housing. A model has been constructed by the HUDC to promote this type of housing. It includes life support advisors to give guidance, counsel and temporary care to the aged.

7. Tax Incentives in Housing

Various tax incentives are provided for newly built houses. These include:

- deduction from taxable income, for the first 3 years of mortgage interest and loan repayments, up to a maximum of Y 150,000 (\$1,500);
- reduction for registration tax, from Y 6 per Y 1000 to Y 3 per Y 1000.

- reduction in ownership transfer fee, from Y 50 per Y 1000 to Y 6 per Y 1000.

8. Government Expenditures on Housing

Government expenditures on housing can take two forms: investments, such as government-owned housing or direct government mortgage loans to finance private housing, and non-recoverable subsidies. Government expenditures on housing are heavier in Japan than in Canada in both these categories.

In terms of government investments in housing, Japan has built up a social housing stock representing 7.5% of the total stock, compared to 6% in Canada. In terms of mortgage financing, the Japanese government's Housing Loan Corporation finances more than one-third of all housing starts in Japan (compared to less than 1% funded by CMHC in Canada). This Housing Loan Corporation had, by the end of 1985, accumulated total assets of Y 25 trillion (\$144 billion, in 1985 dollars), compared to the \$10 billion assets held by CMHC in 1985.

In terms of annual subsidies, the Y 1 trillion (\$5.4 billion) housing subsidy budget provided by the Japanese government in 1984 represented 2% of the total Japanese budget of Y 50 trillion (\$275 billion), compared to 1.6% or \$1.7 billion out of \$107 billion in Canada in the same year.

The targeting of these subsidy expenditures is also quite different in Japan, as compared to Canada. In Japan, about half of the subsidy expenditures are used to reduce mortgage interest rates (by about 0.5%) to all mortgage borrowers from the Housing Loan Corporation, regardless of income. The other half of the subsidy expenditures are used to write down construction costs on public housing (which form the basis for calculating the rent on public housing) and to encourage the land readjustment process, which is tied to the rehabilitation of substandard housing. This differs substantially from the way subsidy funds are targeted in Canada, where all subsidy funds are now targeted in such a way that only needy income-tested households can benefit.

IX. CONCLUSION

The foregoing examination of Japan's housing policy and programs shows that many of the housing issues now under discussion in Japan are also under debate in Canada.

Some of the issues are as follows:

- ° The development of housing options for senior citizens;
- ° The improvement of housing quality;
- ° The regeneration of the public housing stock;
- ° Improving the access to home-ownership;
- ° Land costs in fast growing metropolitan areas;

- ° The financing of social housing and the targeting of government subsidies;
- ° The operations of the private rental market;
- ° Tax incentives in housing.

In addition to the shared housing issues, one can also discern areas where Canadian housing technology could be useful to Japan and vice-versa.

The following Canadian housing technology is of interest to Japan:

- ° The use of woodframe construction techniques to provide affordable housing;
- ° The R 2000 program to develop energy efficient housing.

The following Japanese housing technology is of interest to Canada:

- ° The widespread use of manufactured housing (mobile homes and prefabricated homes);
- ° Smart houses (the use of electronic equipment to make homes more comfortable).

The existence of many shared problems in housing policy and specific areas of housing technology where both countries can learn from each other, offers a sound foundation on which to base a closer exchange of views and experience in housing policy and housing technology.

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